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OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON 25, D. C.

22 September 1960

OSD Declassification/Release Instructions on File

MEMORANDUM FOR: CHAIRMAN, COST ESTIMATES COMMITTEE

FROM: Defense Members of the Cost Estimate Committee *hab*

SUBJECT: Proposed Terms of Reference, Estimated Foreign Intelligence Costs for Fiscal Year 1960

The Department of Defense has studied the subject of terms of reference for the Estimated Foreign Intelligence Costs Report to be employed by the USIB members in FY 60 and have concluded that within the framework of the terms of reference set forth in USIB-D-53.1/1, dated 3 June 1959, certain changes should be made. Essentially, these cover two main points: (1) Opportunities for optional presentation by contribution are required to be eliminated; and (2) that the requirement exists for a presentation which permits a breakdown by Functions and by Items of Costs (objective classes).

Defense's detailed comments and recommendations follow the format and contents of USIB-D-53.1/1 and should be read in that context.

1. Para 1, page 1. Delete first sentence and substitute in lieu thereof:

"The purpose of the report is to provide an estimate of the United States intelligence costs as an essential aid to the Director of Central Intelligence in carrying out his responsibilities to coordinate the foreign intelligence effort of the United States; to the United States Intelligence Board in support of their responsibility to establish policies and develop programs for the guidance of all departments and agencies concerned; and a management tool of the department and agencies involved. A secondary purpose is to provide an agreed estimate of intelligence costs which would be available for distribution to competent authority outside of the Intelligence Community."

2. Para 1, page 1. In second sentence capitalize phrase "ORDER OF MAGNITUDE".

3. Para A.1.e., page 3. Delete sentence, and substitute in lieu thereof:

"OTHER NON-OVERT COLLECTION includes those collection activities not covered above."

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Review of this document by CIA has
determined that:
☐ CIA has no objection to declass
☒ It contains information of CIA
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Authority: HR 70-2
☐ It contains nothing of CIA interest
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4. Para A.3., page 6. Delete first paragraph and substitute in lieu thereof:

"Other Activities - Activities will be listed here when their cost cannot readily be included by all contributing departments, agencies or offices, as an integral part of the cost estimates covering the activities shown in sections 1 and 2 of the format, or because specific interest by users of this report require a breakout of the specific type of data. Therefore the information shown as a breakout item under this third category termed "Other Activities" will be:

a. MANAGEMENT, PLANS AND POLICY, includes those administrative overhead functions not reasonably assignable to a department's or an agency's foreign intelligence effort set forth in categories 1 and 2.

b. SECURITY includes those physical and personnel security measures directly related to the activities covered in all sections of the report.

c. TRAINING includes the direct and indirect cost of school type training activities conducted in whole or in part for the support of the foreign intelligence activities listed elsewhere in this report. Where only a portion of a training facility is devoted to supporting intelligence activities within the terms of this report, the over-all cost should be distributed as appropriate.

d. RESEARCH AND DEVELOPMENT includes the direct or indirect cost of that research and development which is related to the development of devices, equipment, and techniques for use in the foreign intelligence effort. This may range from research and development conducted solely for intelligence purposes, so that the full cost could logically be charged to intelligence, to those research and development activities which are conducted only in part for intelligence purposes and therefore only an appropriate portion of their over-all cost should be allocated as a charge against intelligence.

5. Para A3b, f, g, h, i, pages 7 and 8. Deleted on basis that they can best be presented by integrating into Sections 1 and 2, and/or fit the object classification breakout which is uniformly applicable to accounting practices of all Federal agencies, and is proposed as an addition to this report.

6. Para B, page 8, is deleted as a separate category, being integrated into Sections 1 and 2. Breakout of this data would show on chart containing object classification.

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7. Para C and D, page 9, changed to read D and E respectively. Insert a new para C entitled "OBJECT CLASSIFICATION" as follows:

"OBJECT CLASSIFICATION. The procedure of classifying disbursements in prescribed terms of their physical or service characteristics, as distinguished from the functions or activities set forth in categories 1, 2 and 3 of above, has been uniformly applicable to the accounting transactions of the USIB contributors and is considered a useful adjunct to the Cost Report for 1960 as a tool of management. These object classes are: Personal Services, Travel, Transportation of Things, Communication Services, Rents and Utility Services, Printing and Reproduction, Other Contractual Services, Supplies and Materials, Equipment, and Lands and Structures.

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